

**ALASKA STATE LEGISLATURE**  
**SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**

February 10, 2022

1:32 p.m.

**MEMBERS PRESENT**

Senator David Wilson, Chair  
Senator Shelley Hughes, Vice Chair  
Senator Lora Reinbold  
Senator Tom Begich

**MEMBERS ABSENT**

Senator Mia Costello

**COMMITTEE CALENDAR**

PRESENTATION(S): BIFURCATION OF THE DEPARTMENT OF HEALTH AND  
SOCIAL SERVICES

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

STACIE KRALY, Director  
Civil Division  
Department of Law  
Juneau, Alaska

**POSITION STATEMENT:** Provided a brief overview of EO 121.

ANDREW DUNMIRE, Attorney  
Legislative Legal Services  
Legislative Affairs Agency  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on EO 121.

ADAM CRUM, Commissioner  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Offered a presentation on Executive Order 121 DHSS Reorganization.

SYLVAN ROBB, Assistant Commissioner  
Department of Health and Social Services (DHSS)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on EO 121.

BRENDA SHELDEN, Board Member  
Alaska Pioneer Homes Advisory Board  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of EO 121.

#### **ACTION NARRATIVE**

[1:32:24 PM](#)

**CHAIR DAVID WILSON** called the Senate Health and Social Services Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Begich, Reinbold, Hughes and Chair Wilson.

#### **PRESENTATION(S): BIFURCATION OF THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES**

[1:32:53 PM](#)

**CHAIR WILSON** announced the consideration of a presentation on the bifurcation of the Department of Health and Social Services.

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**STACIE KRALY**, Director, Civil Division, Department of Law, Juneau, Alaska, stated that she would present a broad overview of EO 121 in place of a sectional analysis. The bulk of EO 121 consists of three components. The first is to separate the Department of Health and Social Services (DHSS) into the Department of Health (DOH) and the Department of Family and Community Services (DFCS). Existing statutes must be separated to create the two departments. Title 44.29 would pertain to the Department of Health and Title 44.30 to Family and Community Services. Organizational changes to DOH and DFCS would be found in Title 47.05 and Title 47.06, respectively.

Boards and commissions' statutory relocation is the second principal component of EO 121. Boards and commissions that were not substantive to the department were moved from the statutory provisions of Title 47. These boards and commissions have unique roles, responsibilities, and advocacies, making placement under Title 47 confusing. For example, the Mental Health Trust

Authority and the Long-term Care Ombudsman were moved from DHSS to the Department of Revenue (DOR) more than a decade ago but remained under Title 47.

1:38:25 PM

SENATOR BEGICH asked if the Senate Health and Social Services Standing Committee would no longer have the jurisdiction to review the Mental Health Trust Authority appointees.

MS. KRALY opined that moving the Mental Health Trust Authority provisions into Title 44 would not affect the committee's jurisdiction since the trust has been affiliated with the Department of Revenue for some time.

SENATOR BEGICH stated that moving the provision from DHSS could effect change. He found it concerning and requested a definitive answer.

CHAIR WILSON interjected that the decision rests with the presiding officer, who generally follows statute. Title 18 and 47 are usually assigned to the Senate Health and Social Services Standing Committee.

SENATOR BEGICH replied that the Mental Health Trust Authority Board would be under Title 44, not 47, which would remove it from the committee's jurisdiction.

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MS. KRALY asserted that jurisdiction would not change because the Mental Health Trust Authority has been under DOR for at least a decade. Nothing was changed but the statutory reference to DOR.

SENATOR BEGICH stated he supports the bifurcation of DHSS but would like an opinion from Legislative Legal Services.

CHAIR WILSON asked Legislative Legal Services to answer whether changing the statutory reference location to DOR would remove jurisdiction from the committee.

1:40:29 PM

ANDREW DUNMIRE, Attorney, Legislative Legal Services, Legislative Affairs Agency, Juneau, Alaska, replied that Uniform Rule 20 states that the Health and Social Services Standing Committee has jurisdiction over the programs and activities of the Department of Health and Social Services.

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SENATOR BEGICH clarified that the jurisdiction of the Mental Health Trust would no longer be with the Senate Health and Social Services Standing Committee because its statute would no longer be under the purview of the Department of Health and Social Services.

CHAIR WILSON replied that would be correct.

SENATOR BEGICH concluded that the change was concerning.

MS. KRALY stated that other boards and commissions with provision relocations to DOH Title 44 include the Governor's Council on Disability and Special Education, the Commission on Aging, the Alaska Mental Health Board, and the Statewide Independent Living Council.

The Advisory Board on Alcohol and Drug Abuse, and the Suicide Prevention Council already in Title 44 will be listed under DOH. The Pioneer Advisory, also in Title 44, will be listed under DFCS.

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SENATOR REINBOLD asked her to reference the bill sections as part of the overview.

MS. KRALY stated that a document mapping out changes and locations would be created since EO 121 is an extensive bill. Section 35 addresses all boards moving to DOH, except for the Pioneer Home Advisory Board, which moves to DFCS under Section 36. Changes to the Mental Health Trust Authority and long-term care ombudsman could be found under Section 27.

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The third component of EO 121 entails all the conforming technical edits and instructions to the revisors. It ensures that all the previous references to DHSS are aligned correctly to DOH or DFCS.

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At ease.

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CHAIR WILSON reconvened the meeting.

[1:46:36 PM](#)

ADAM CRUM, Commissioner, Department of Health and Social Services (DHSS), Anchorage, Alaska, offered a slide presentation on EO 121, the bifurcation of the Department of Health and Social Services (DHSS) into the Department of Health (DOH) and the Department of Family and Community Services (DFCS), reading his prepared script as follows:

[Original punctuation provided.]

Thank you committee members for having us here today to discuss Executive Order 121 to restructure the Department of Health and Social Services into two departments. For the record, I am Adam Crum, Commissioner for the Department of Health and Social services.

At Health and Social Services, or DHSS, we really do serve and touch all Alaskans at some point in their life: from birth and death certificates, marriage licenses, public health, Emergency Medical Services (EMS) to behavioral health and more. Because of the breadth and depth of services we provide, at some point you WILL interact with DHSS

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COMMISSIONER CRUM advanced to slide 3 and continued reading:

You'll see on this slide a 100,000 foot view of Health and Social Services. We are what our federal partners refer to as a "mega agency." In fact, the work we do at the single agency of DHSS is performed by multiple departments in other states: South Dakota, one of our peer states for example, spreads this work and these programs across four state departments.

And Wyoming - with a smaller population than Alaska - performs this work in two departments.

Seeing the \$3.5 billion dollar budget and over 3,000 employees, it's clear that DHSS is a very large, single department. But it's the number of programs delivered, the multifaceted services, and the vulnerability of our primary beneficiaries that really tell the story of just how complex DHSS is, and why the structure needs to be evaluated.

Throughout this presentation we will further define the challenges at DHSS due to the number of programs, staff and budget size. Then we will discuss what the proposed solution is, it's benefits, the work that has been ongoing and the stakeholder engagement over the past year, as well as why an Executive Order is the proper vehicle to make these changes.

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SENATOR REINBOLD commented that slide 3 stated, "Does not include COVID funds." She asked what the fund amount was for COVID.

COMMISSIONER CRUM deferred the question.

SYLVAN ROBB, Assistant Commissioner, Department of Health and Social Services (DHSS), Juneau, Alaska, stated that DHSS had received approximately \$900 million in COVID relief since the pandemic started.

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SENATOR HUGHES asked if DHSS knows how many programs South Dakota and Wyoming provide to citizens compared to the 100 programs Alaska provides its citizens.

COMMISSIONER CRUM replied that he does not know the total program counts for South Dakota and Wyoming. The comparison was made on the similar services of child welfare, childcare assistance, Medicaid funding, juvenile justice, psychiatric and senior care.

SENATOR HUGHES stated she realized her previous question was not related to the bifurcation of the department. However, she would like to assess whether Alaska offers more assistance programs than other states and if people relocate for that reason.

1:50:37 PM

COMMISSIONER CRUM returned to his presentation on slide 4 concerning the programs within DHSS:

Let's start with DHSS programs... And this is only SOME of the programs we offer. This helps illustrate the truly complex nature and size of DHSS, and why it is so difficult, nigh impossible, to get all aspects of the department running efficiently and well at the same time. Just look at this incomplete list, and tell me what the commissioner's office and policy staff

should make the priority for the hour. Is it senior veteran's care? Strengthening families? What about chronic disease and health promotion? Suicide prevention or healthy eating? I don't make these remarks to be dismissive, but to truly highlight that the programs we offer and the people we serve are ALL high priority - but they can't be addressed as such within the current structure.

1:51:14 PM

COMMISSIONER CRUM advanced to slide 5:

As the structure of DHSS currently exists, there are 119 different federal funding sources that flow into the department. 119. That's a lot of overseers. That's a lot of different rules, guidance, program limitations...you name it, that's a lot of it. With so many and so varied funding sources there are limits to what and how much can be delegated. A great many programs and funding requests require commissioner or assistant commissioner signature. Because of these federal funding sources and rules, it means that the Commissioner cannot simply delegate down, and this will be the same problem for anyone who follows me in this position. To manage this responsibility requires due diligence, meetings with federal partners, audits, corrective actions addressed, compliance concerns, etc - creating a natural bottleneck in the organizational design - one that can't be corrected with just more deputies, it requires new legal lines of authority and focus. On top of this there are state statutes that clearly outline commissioner authorities, further limiting the ability to delegate.

This is a problem. It was a problem for my predecessors and will continue to be a problem for any administrations that follow if this current structure persists.

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COMMISSIONER CRUM continued reading, slide 5.

And when you look at the diverse array of agencies that we work with and receive funding from, which items should we make the most important right now? Do I take the phone call from Administration of Children and Families about helping to repatriate American

citizens on a flight from Wuhan, or do I continue to focus on Medicaid innovations and negotiations with CMS? What about new federal funding sources that ask states to redefine how childcare assistance is delivered and managed in their states? Does that warrant more time and energy than recovering from a cyberattack that delays grant payments to behavioral health providers? These are painful decisions, and while leadership roles are naturally encumbered with difficult decisions and time management concerns, it still hurts when you know that Alaskans in need are asking for help and the structure you work in is a natural barrier towards rapid and appropriate response.

1:53:12 PM

COMMISSIONER CRUM advanced to slide 6, speaking to the number of employees at DHSS, and continued to read:

We've talked about programs and funding sources, so let's talk about the number of employees at DHSS. It's one thing for large organizations to exist and be geographically spread out, but they typically will have just a handful of key services they provide, keeping the focus narrow. But it is quite the managerial and administrative task to juggle all aspects of providing the wide array of services we do across a state the size of Alaska and with more employees than residents of Kotzebue or Petersburg

DHSS has as many employees as 5 other state departments, the legislature and the Governor's office combined. There are multiple DHSS divisions that have more employees than other departments - and all these large divisions answer back to a single commissioner's office.

1:54:05 PM

SENATOR REINBOLD asked if the 3,259 positions represent the number of filled positions within DHSS or the allotted quantity of position control numbers (PCNs). She further asked how many PCNs are unfilled.

MS. ROBB replied that 3,259 represents the number of PCNs in the department and that because of its size DHSS always has some vacancies.



[1:54:40 PM](#)

SENATOR REINBOLD asked approximately how many positions are unfilled.

MS. ROBB guesstimated that 200 positions were unfilled.

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COMMISSIONER CRUM resumed his presentation on slide 8 and stated that at 30 percent of the statewide budget in FY23, DHSS's budget is more than the legislature, the governor's office and judiciary combined. DHSS's size and diversity of duties means DHSS interacts with all other state departments. Improving DHSS's service delivery would assist other departments in providing better service to Alaskans. For example, DHSS works with the Department of Corrections on reentry and behavioral health. DHSS shares a background check unit with the Department of Public Safety and together they work on crisis stabilization.

Whereas Medicaid, public health, and behavioral health are areas easily associated with DHSS, other areas, such as the use of the Supplemental Nutrition Assistance Program (SNAP) to purchase fishing and hunting licenses, and WIC and SNAP benefits use at farmer's markets are less noticeable. The Kids Don't Float program run by Department of Revenue started in collaboration with DHSS.

[1:56:38 PM](#)

CHAIR WILSON asked if a department should focus on the scope of revision that solely pertains to it. He stated that DOC requested a behavioral health unit. He asked if that should happen or should DOC's behavioral healthcare continue to receive assistance from DHSS.

[1:57:49 PM](#)

COMMISSIONER CRUM continued reading at slide 11:

All of the above mentioned programs and massive budget are performed under this current structure of DHSS. So what can be done to reduce span of control, narrow the focus of management and staff, as well as be more responsive overtime to stakeholders and employees?

This is the solution. To reorganize DHSS into two separate departments that reduce span of control and align functionality, because in the simplest terms and 100,000 foot view, there are really two key function areas. Providing direct care to patients or clients,

24/7 in facility or in the community. That's DFCS Managing of Payment, process, and programs - that's DOH

Aligning these functions allows the commissioner's office and policy staff to focus on supporting staff through improved work processes, improving services delivered to Alaskans and creating the bandwidth necessary for further engagement with stakeholders and federal partners to lead towards innovation.

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COMMISSIONER CRUM said that the left side of slide 13 shows the current structure of DHSS with its nine public-facing divisions. The divisions interact with the community by providing care and services. The nine divisions were kept whole, and assignment to a department was based on a division's key function. This was done to ensure services would not be disrupted. On the right side of the slide, DOH consists of the Medicaid divisions of Health Care Services, Behavioral Health, and Senior & Disabilities Services. He continued reading:

This will align our payments, processes and programs and allow future innovations such as moving towards value-based care, further enhancing the Shared Vision of the DD community, and focusing on chronic health prevention efforts.

DFCS will consist of the facility-based divisions such as API, DJJ and Pioneer Homes, along with the round the clock community services of OCS. This aligns the divisions that provide direct care and makes time for specific attention on issues such as OCS recruitment and retention, and time to lead community discussions on future investment at Pioneer Homes, not to mention that issues that come from facility-based entities, such as deferred maintenance and licensing concerns.

2:00:37 PM

SENATOR REINBOLD asked what Finance and Management Services does.

COMMISSIONER CRUM stated that Finance and Management Services is sometimes referred to in budgets as Department Support Services (DSS). He said Finance and Management Services (FMS) includes administrative services, human resources, funding, finance,

grants, and information technology. FMS is the engine that keeps the DHSS machine functioning.

2:01:40 PM

CHAIR WILSON asked if this is the section that currently handles outside grants and contracts for DHSS.

COMMISSIONER CRUM replied yes. FMS handles the primary grants and contracts for the department, with some managed in other divisions. FMS is the group that processed COVID funds.

2:02:14 PM

COMMISSIONER CRUM returned to his presentation at slide 14:

This reorg was designed in such a way to minimize any disruption in services to beneficiaries or payments to providers. This was achieved by keeping the public facing divisions intact, no leadership changes and no change in footprint. It should be noted that to keep services aligned, Designated Evaluation and Treatment Services or DET services will be moved from DBH to DFCS in order to stay closely aligned with API and help coordinate title 47 involuntary commitment patient movement between facilities. This aligns with pointing those statutes to the oversight of DFCS.

The primary changes in the reorg will occur to the internal division of Finance and Management Services (FMS) which will divide staff to cover each department. These involve sections like IT, Grants and Contracts, and finance and budget. We are asking for some new positions and reclassified positions to fill out FMS staff and Commissioner's office Staff.

2:03:15 PM

SENATOR REINBOLD asked what involuntary confinement is and whether it is related to SB 124.

COMMISSIONER CRUM stated that SB 124 and HB 172 involve crisis stabilization language and subacute patient care services that Alaska is looking to provide. The bills are not tied to EO 121.

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SENATOR REINBOLD proclaimed she was shocked that DHSS's size was being bragged about and that expansion was desired. She expressed concern about the issue of involuntary confinement in

SB 124. She asked for an explanation of DHSS's current involvement with involuntary confinement.

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COMMISSIONER CRUM replied that the crisis stabilization bills would help expand available services so individuals could get crisis care. SB 124 and HB 172 are not tied to EO 121. DHSS would help facilitate payment for services to providers, but the providers would be the ones to expand services within their communities. Individuals a judge determines to be in need of in-patient psychiatric care can be sent to a Designated Evaluation Treatment (DET) facility under Title 47. DETs in Alaska include the Alaska Psychiatric Institute, Fairbanks Memorial, Mat - Su Regional, and Bartlett Regional hospitals.

[2:05:09 PM](#)

SENATOR REINBOLD asked what the service would cost the state.

MS. ROBB replied that the Designated Evaluation and Treatment (DET) services allocation is approximately \$13 million.

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COMMISSIONER CRUM resumed reading:

DOH, again, was designed to not disrupt service or payment delivery. You'll see no change in leadership or footprint [of the public facing divisions]. The highlighted groups of FMS and Commissioner's office are the ones feeling the brunt of the reorganization.

With the current structure of DHSS, and its innumerable layers, issues that work their way up to the Commissioner's office aren't little embers that can quickly be extinguished, but roaring fires that require all hands on deck to make sure the entire thing doesn't burn down.

With an additional Commissioner's Office and a focused span of control, then leadership will be able to more effectively work with stakeholders and employees to address concerns before they turn to infernos.

Speaking of infernos. We have had plenty. This administration has worked on crisis after crisis, and has shown that focused leadership and support can lead to improved outcomes for Alaskans...but only in specific

areas, and only if less time and attention is paid to other divisions. Some examples are:

DPA had a backlog of 15,000 applications and multiple letters of correction from federal partners, but with new leadership, capital support and willingness to embrace innovation, the backlog was eliminated and administrative efficiencies and savings were gained. Then COVID hit, and hundreds of millions of dollars for new assistance programs have flowed through DPA, and while this has required developing new processes and eligibility criteria, they were able to respond and move additional assistance checks out the door to Alaskans...all while doing their normal course of business - this wouldn't have been possible with the DPA tools and setup from a couple years ago.

2:07:16 PM

SENATOR REINBOLD said she is not able to keep up with the presentation. She could not find a fiscal note for the new PCNs.

COMMISSIONER CRUM replied that a slide at the end of the presentation provides the dollar amounts and positions.

2:07:46 PM

SENATOR HUGHES asked if Commissioner Crum's name on slide 15 indicates that the governor decided he would be the commissioner of DOH.

COMMISSIONER CRUM replied that he requested to be the commissioner for DOH. However, the commissioners would need to be appointed by the governor since the two departments would be legally separate entities.

2:08:33 PM

SENATOR HUGHES asked why he preferred to be the commissioner of DOH. She also asked how DHSS's \$3.5 billion budget would be split.

COMMISSIONER CRUM said a slide at the end of the presentation provides the costs, budgets, and PCN counts for each department. He stated that he would like to be commissioner of DOH because he worked predominantly with public health and Medicaid during his tenure as commissioner of DHSS.

2:09:16 PM

SENATOR HUGHES asked if he feels comfortable managing the workload of the DOH commissioner since it would still entail more than he expressed having time for as the DHSS commissioner.

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COMMISSIONER CRUM said breaking up the department will make it easier for the commissioners and policy staff because the divisions will be aligned. DFCS has programs with significant burning issues that need addressing. Its programs have a lot of independent and individual funding sources. They also have many rules that go through different boards and community meetings. Splitting DHSS into two departments with five and four public-facing divisions frees the capacity and mental energy of the commissioner and policy staff.

SENATOR BEGICH stated he thought it made sense that Commissioner Crum would seek to be commissioner of DOH. He asked if the commissioners of the new departments would be subject to legislative confirmation.

COMMISSIONER CRUM stated his belief that it would require legislative confirmation.

[2:11:08 PM](#)

SENATOR REINBOLD asked if the commissioner's responsibilities are just in the highlighted blue box on slide 15.

COMMISSIONER CRUM said the DOH commissioner would preside over public health, behavioral health, healthcare services, senior disabilities services, and public assistance. The changes would be to the commissioner's office and finance management.

SENATOR REINBOLD asked if Dr. Zink's responsibilities would remain the same under DOH.

COMMISSIONER CRUM replied yes, her responsibilities in public health would remain the same.

[2:11:53 PM](#)

SENATOR REINBOLD asked if Dr. Zink would remain over epidemiology, public health nursing, women's clinics, family health, and state laboratories.

[2:12:08 PM](#)

COMMISSIONER CRUM replied yes.

[2:12:10 PM](#)

SENATOR REINBOLD stated she agreed with Senator Wilson's bill that addresses certificate of need. On DOH's organizational chart, she noted that Health Facilities Licensing and Certification was listed under Health Care Services. She asked if there was any change to medical services or the licensing of medical providers and if medical licensing would be moved from the Department of Commerce.

COMMISSIONER CRUM stated that professional licensing would remain with the Department of Commerce. He explained that Health Facilities Licensing and Certification perform surveys and quality control checks. The certificate of need process will be under the Office of Rate Review, which is part of the commissioner's staff as noted on slide 15.

[2:14:13 PM](#)

COMMISSIONER CRUM said he spent a great deal of time working through API licensing issues, the backlog at DPA, and pandemic problems. He stated these were three examples of burning issues that caused other areas to receive less attention.

[2:14:42 PM](#)

COMMISSIONER CRUM continued sharing the merits of DHSS's bifurcation and advanced to slide 18, reading:

The sticky notes are a reminder that there is never a dull moment at DHSS. 24/7, 365, there are issues and crises. There will never be a so to speak "good" time to make a move like this. But there is always a time and place for decisive action

The only certainties are that with the current structure we can do nothing but keep running from crisis to crisis, we have no idea what is around the corner—another earthquake? Another outbreak? All the ideas for reorganization are not new and most of it came from division leaders who have had many years in the system and understand that Medicaid and high priority public health issues take all the air out of the room. As a state we are not putting in enough energy into innovating for the future—facilities, programs, quality of care etc. since we are stuck in crisis mode all the time. All change is stressful. And All change is difficult, even good change. This isn't change for change's sake, down the road this will mean more bandwidth for everyone.

More bandwidth for each Commissioner's Office and Policy staff means more meaningful stakeholder engagement. Meaningful engagement takes time. Time to really listen to constituents and advocacy groups to address their concerns. Time to seriously engage with federal partners to seek Alaska specific flexibilities. And time to do follow-up reach outs to those stakeholders who don't respond to the first try.

There is not enough time in the day for a single commissioner's office and policy staff to do meaningful engagement with that vast and diverse array of stakeholders that DHSS oversees. This includes one of our biggest groups of stakeholders, our employees.

2:16:17 PM

COMMISSIONER CRUM moved to slide 19 of his presentation and addressed improved employee experience, reading:

There are over 3,000 Alaskans at DHSS who care deeply about what they do. But the important work performed by staff is rarely visible, systems improvements are slow and cumbersome, and this all leads to frustration, creating a feedback cycle of negative emotions and concerns.

More time and bandwidth to address employee concerns and improve their experience will facilitate improved recruitment and retention. Currently, DHSS is like an aircraft carrier, a massive, self-contained eco system that is everything to everybody, with a single captain.

With so many facilities, so many staff and so many programs, it's impossible for the Commissioner's office to see and interact with all of them, and to see and hear their concerns. This has been an issue in the past and will continue to be an issue for anyone who succeeds me if we do not take action. Our employees deserve better.

And their department should be able to more readily respond to and address their concerns. But, to be frank, aircraft carriers are easier to turn than bureaucracies.



[2:17:18 PM](#)

COMMISSIONER CRUM moved to slide 20:

The proposed structure of two smaller departments allows for a more nimble leadership response to fewer divisions - we are making the ships smaller and adding another captain.

Fewer divisions in each department means less jockeying for position on the priority list, and a much more intentional approach to interacting with leadership

This will provide a direct benefit to our FMS Staff - this usually unseen support division has to have expertise to serve all 9 public facing divisions and fund sources that go with it. With a smaller span of control, we will be able to recruit and retain positions better such as our Finance officer and Grants and Contracts staff instead of training them up to take a lateral transfer at a much smaller dept for the same level of position. Because of the critical nature of their work, when FMS is running full steam ahead it makes life easier for the other divisions.

[2:18:12 PM](#)

COMMISSIONER CRUM stated the advantage of using an executive order over a legislative bill beginning at slide 21, reading:

Executive orders are a useful tool that were specifically contemplated by Alaska's Constitutional Convention. Article 3, Section 23 says the Governor may make changes in the organization of the executive branch or in the assignment of functions among its units which he considers necessary for efficient administration.

So why not a bill? Because Executive Orders are well defined and the process is prescribed. EO's can **not** have substantive law change, this means programs and services won't be changed by the EO. This provides certainty to stakeholders and beneficiaries that their programs will continue on unaltered throughout the EO process. The definitive timeline as laid out in Article 3 Section 23 of the state constitution is another touchstone of certainty, as opposed to

legislative process where timelines can vary greatly and services can be altered via amendments.

2:19:16 PM

COMMISSIONER CRUM moved to slide 23 discussing executive orders and continued reading his presentation:

Executive Orders have been used many times to realign state agencies for better service to the public.

In 2003 the Pioneer Homes were in the Dep of Admin, and EO 108 was used to move them to DHSS. Corrections was historically a part of DHSS, and they didn't become their own department until 1984 via an EO. In fact, EO 54 to split out corrections was put forward in 1983 but was disproved. It was worked on and then reintroduced the following year as EO 55 which became law. This really highlights that the process works - the legislature provided input, and then ultimately the correct change was made.

2:20:02 PM

COMMISSIONER CRUM continued at slide 23:

Furthermore, we know that there could be bumps and future legislation may be needed to fill some gaps, an example of that would be a bill making the Commissioner of DFCS a statutory advisor to the Mental Health Trust. We appreciate our legislative partners and look forward to working together to set the two departments up for success. That brings us to the timeline of all this.

Governor Dunleavy introduced Executive Order 121 on the first day of session, and as you know the legislature has 60 days to take action, by coming together in a joint session to disapprove the EO. If no action in 60 days, then in it becomes law, with an effective date of July 1, 2022. So how does this differ from what was brought forward last year?

2:20:49 PM

COMMISSIONER CRUM advanced to slide 25 to explain what is different in EO 121.

Time. Time is the difference. The plan put forward of which divisions go to each department is the same as

EO 119 that was introduced in 2021, but then pulled when Legislative Legal noted some technical concerns in it's drafting. These items have been corrected by the department of law and specific areas of concern have been addressed with Leg Legal. Prior to its official introduction, a draft was sent to Leg Legal to make sure that issues from the previous session were addressed in the current version before you all.

You, as committee members, rightly brought up that stakeholders needed to be engaged more. So we spent the past year doing robust stakeholder engagement on a weekly basis. We have done employee townhalls, public town halls, met with tribes, tribal groups, tribal health consortia's, child welfare partners, child care providers and advocates, juvenile justice groups, senior groups, disability groups, healthcare providers...we truly worked hard to meet with groups that represented services that DHSS provides.

2:21:53 PM

COMMISSIONER CRUM continued reading his presentation at slide 25, regarding outreach and feedback on EO 121.

This engagement has been in formal meetings both during and after work hours, but also incorporated into our daily interactions with outside groups, with myself, deputy commissioners, policy staff and directors almost always weaving the prospective reorganization into the discussion to find out their concerns. It even became a running joke amongst some groups, that no matter the topic, I would bring up the reorganization. And I would say that these consistent, informal interactions were very beneficial because they occurred in smaller groups, with much more spontaneous and insightful feedback.

2:22:27 PM

COMMISSIONER CRUM slide 25 continued:

Throughout the process we would respond to many different groups' concerns and questions in writing and then follow up again to ensure no lingering questions remained. From all of this constant engagement, we listened and incorporated feedback as necessary into our implementation plans. And as we've demonstrated throughout this presentation, the sheer

size of DHSS means its impossible for us to meet with every provider, advocate or beneficiary about the reorganization. But I can say that we finished all of our meetings with links to the reorg website and an email address where questions, concerns or meeting requests could be sent. Any groups that have reached out or asked for meetings we have met with, and we are still continuing these outreach meetings now. Our efforts in stakeholder engagement have been sincere, and absolutely necessary.

2:23:10 PM

COMMISSIONER CRUM moved to slide 26, Stakeholder Engagement:

The word cloud is a nice tool to demonstrate just some of the groups we were honored to meet with. And from these efforts we engaged with and listened to the concerns of groups that initially spoke up about the reorganization. And we also gained letters of support from key groups representing a diverse array of beneficiaries, advocates and providers. Support letters include:

Alaska State Hospital and Nursing Home Association

Alaska Commission on Aging

AK Pioneer Homes Advisory Board

Governor's Council on Disabilities and Special Education

Alaska Geriatric Exchange Network, or AgeNet

2:23:45 PM

COMMISSIONER CRUM continued his presentation at slide 27:

From this engagement we definitely learned things, such as our Tribal Partners suggesting a role of Tribal Liaison in each commissioner's office. While each division has a tribal liaison, they suggested, and we agreed, that having a liaison in the commissioner's office can only help maintain the open lines of communication that we have been committed to having between the state and our tribal partners.

From the stakeholder engagement, it also became clear that more regular and intentional interaction between departmental leadership and outside groups needs to happen, something that will only be possible with smaller departments and a second commissioner's office.

The Alaska Children's Trust had a great suggestion that we adopted, of having a role in each commissioner's office of Reorganization Transition Liaison. The purpose of which is to have a single POC [point of contact] in each department that stakeholders can share feedback on the implementation of the reorg, and they can in turn get that info to appropriate people within the department. These transition liaisons will also help convene post-implementation meetings or townhalls where all have a chance to bring areas of concern to department leadership.

2:24:54 PM

COMMISSIONER CRUM advanced to slide 29 and continued reading. He shared what is needed to bring about EO 121:

So what will it take to make this proposed solution a reality? A strategic investment of \$2 million in total funds, 11 new positions and 10 reclassified positions. As we've told stakeholders over the past year, this is not cost cutting or job cutting initiative, this is an appropriate size government initiative. For less than 0.06% percent of DHSS' total budget we can fund this reorganization. This is a smart investment in prioritizing how services are delivered to vulnerable Alaskans, and for allowing time and bandwidth for each department to meaningfully engage with stakeholders and partners on current initiatives and future innovations.

2:25:41 PM

SENATOR REINBOLD stated that Commissioner Crum and Governor Dunleavy campaigned in support of reducing DHSS's budget. Yet, \$2 million in additional funding and 21 additional PCNs are requested to make DHSS more efficient. She stated her philosophy that a person who cannot do well with a little should not be given more. She opined that DHSS was given an extra \$900 million in addition to its \$3.5 billion budget. Despite the increases, nothing was done to address chronic disease, the use of Vitamin

D, an emergency room for Eagle River, preventative healthcare, or substance misuse. Focus should have been on immunizations, fraudulent COVID claims, and the effects of isolation on the elderly. She stated that Dr. Zink and Commissioner Crum are at the helm of these failing and she would not support rewarding a failing department.

[2:29:42 PM](#)

CHAIR WILSON stated the committee is working with DHSS and would be presenting an address on the state of Alaska's Health.

SENATOR REINBOLD quipped that she hoped it would be more honest than the State of the State address.

CHAIR WILSON commented that while the committee would address some of the issues mentioned, others have been addressed but not recognized.

[2:30:27 PM](#)

COMMISSIONER CRUM clarified that the \$900 million was not liquid capital for the department to use at its discretion. Rather, it was federal money for defined programs, which came out in funds approved through the legislative process. DHSS was tasked with distributing the assistance funds to community groups and foundations.

COMMISSIONER CRUM said that focused improvements and administrative efficiencies lead to budgetary savings that exceed DHSS's request for \$2 million and 21 PCNs to implement the department's bifurcation. For example, changes made to the Department of Public Assistance (DPA) cleared a backlog of 15,000 applications, created a budget savings of \$9 million, and reduced 121 positions. He said a series of matrices would be used to evaluate the reorganization of DHSS.

[2:31:32 PM](#)

SENATOR REINBOLD opined that DHSS did not spend its \$3.4 billion budget on items of most importance. OCS is in crisis, and families are weaker than ever due to COVID vaccinations and mask wearing requirements. She stated her belief that Alaska is in crisis because DHSS is in crisis.

SENATOR BEGICH said legislators do not always share the same opinions. He has confidence in DHSS employees. He stated his belief that they did a superb job in handling COVID-related issues. Regarding DHSS's reorganization, he expressed certainty

that the department would answer questions, there would be some debate, and the committee would seek to find common ground.

2:34:25 PM

SENATOR HUGHES said splitting DHSS into two departments effectually follows Senator Reinbold's philosophy. The commissioner of DOH will have a smaller assignment than is currently held by the commissioner of DHSS. She acknowledged that recruitment and retention of employees is expensive and asked what the state's expected cost savings would be because of DHSS's bifurcation.

2:36:22 PM

COMMISSIONER CRUM responded that OCS has a vacancy rate of 60 percent. According to a conservative estimate by the Casey Family Foundation, this vacancy rate costs the state between \$13 - 15 million per year. By focusing on and addressing the issues of just one division within the department, the savings more than covers the reorganization costs. Furthermore, trauma to children and families is reduced because the problems that were in one division do not go on to affect other divisions. Grants and contract staff at Finance Management Services will benefit from the split because managing four or five divisions is less difficult than managing nine.

2:37:56 PM

SENATOR HUGHES stated that presenting the cost savings from the bifurcation of DHSS by division would be helpful.

COMMISSIONER CRUM replied that 12 and 24-month projections would be given to the committee.

2:38:59 PM

COMMISSIONER CRUM stated that implementing the reorganization of DHSS began even before Executive Order 119. The reorganization required working with other departments to determine how programs and facilities would operate. Items necessary to carry out the reorganization were categorized into ongoing, during the legislative session, and post 60-day consideration. Slide 31 provides examples of items to be done in each category. The goal was for the public to not notice any change in service from June 30 to July 1. Beneficiaries and providers will still receive services and payments. Internally the departments need a transition time to complete the split and ferret out issues. This transition phase occurs from April to July 1, 2022. After July 1, the two departments must work together to close the fiscal year. The Alaska Constitution articulates that executive

orders must be dropped on the first day of session. Therefore, behind-the-scenes work was ongoing.

2:40:52 PM

SENATOR HUGHES asked if tracking would be done so the state could know the extent to which the bifurcation of DHSS was beneficial.

COMMISSIONER CRUM replied that DHSS would submit a list of matrices to the committee that will be used to evaluate both the short and long-term impacts of the bifurcation.

2:41:52 PM

COMMISSIONER CRUM returned to reading the presentation at slide 33:

Where do we go from here? When there is more capacity for those that drive and lead organizations, there is more fuel in the tank to travel further than we have ever been able to go before. The items on this slide are not new. A lot of you have been involved with these issues for years, yet we haven't seen the level of improvements or innovations that we want and need to see.

Despite the efforts of OCS, the governor and the legislature, we haven't yet moved the needle on child welfare. The increasing vacancy rate of our case carrying workers puts pressure on our entire system, families and communities. To truly improve our child welfare system and to support community prevention, improve family reunification, it will require focused attention and support from a commissioner's office that isn't pulled away by Medicaid or public health.

For the Alaska Pioneer Homes we need to start having a long series of community driven conversations about how deferred maintenance is addressed and what future investment should we be planning for. This requires a commissioner's office with a smaller span of control.

Currently, Alaska is one of the last Medicaid states that is fee-for-service and doesn't have value based care. Also, one third of Alaskans are Medicaid eligible, this greatly affects all healthcare and insurance costs in Alaska - shouldn't these be



addressed and worked on by a commissioner's office removed from API and OCS concerns?

2:43:18 PM

COMMISSIONER CRUM continued:

Prior experience clearly shows us that the existing structure of a single department will not allow for forward progress on all these serious items simultaneously. Nor can they be solved without active, consistent engagement with community partners and granted flexibilities from federal partners.

The time and space created by having Two departments and two commissioner's offices allows these critical conversations to take place in earnest. Yes, crises will occur, but dealing with half as many divisions and issues allows the commissioner's offices and policy staff to facilitate the meetings with all parties, so we can design our systems of care, together.

2:43:58 PM

COMMISSIONER CRUM stated that suggestions and questions could be emailed to DHSS and there is also a reorganization website at: [reorg.dhss.alaska.gov](http://reorg.dhss.alaska.gov)

2:44:12 PM

SENATOR REINBOLD asked what happened to last year's bill that addressed the bifurcation of DHSS.

COMMISSIONER CRUM said that was Executive Order 119. It was introduced, Legislative Legal Services identified technical errors, and it was rescinded. It has been reintroduced as EO 121 with drafting errors corrected.

2:44:45 PM

SENATOR REINBOLD asked if technical errors were the only issues with EO 119.

COMMISSIONER CRUM replied yes.

SENATOR REINBOLD asked if he considered the changes to be legislative.

2:44:56 PM

COMMISSIONER CRUM answered that the bill is an Executive Order as specifically contemplated in the constitution.

SENATOR REINBOLD stated that the response did not answer her question. She said her question was, "Does this make legislative changes."

COMMISSIONER CRUM replied, "This makes conforming changes to statute."

SENATOR REINBOLD retorted that, "To me, it's clear as day. It's statute changes."

2:45:18 PM

CHAIR WILSON stated that it is statutory changes, through the power of the executive branch, executive order.

SENATOR REINBOLD stated her belief that EO 121 encroaches on the duties of the Legislative Branch. She ran for office to protect legislative supremacy over budgets and legislative change. She said she would get a legal opinion.

SENATOR HUGHES asked if EO 121 would require making or revising any regulations.

2:46:54 PM

MS KRALY stated that regulatory conforming changes would be made. It is her understanding that this would be done through the revisor of regulations, and entails placing regulations under the appropriate department.

She added that an Executive Order could not make substantive changes to statutes under the constitution. She stated she worked with Legislative Legal Services, and no substantive changes to laws clearly within the purview of legislative authority were made. EO 121 would be inappropriate and void if the changes made were found to be substantive.

SENATOR HUGHES asked for a summary of what the constitution says regarding the governor's ability to reorganize and its reference.

2:48:34 PM

COMMISSIONER CRUM stated the reference is Article 3 Section 23.

[2:48:52 PM](#)

SENATOR BEGICH read Article 3 Section 23 of the Alaska State Constitution:

The governor may make changes in the organization of the executive branch or in the assignment of functions among its units which he considers necessary for efficient administration. Where these changes require the force of law, they shall be set forth in executive orders. The legislature shall have sixty days of a regular session, or a full session if of shorter duration, to disapprove these executive orders. Unless disapproved by resolution concurred in by a majority of the members in joint session, these orders become effective at a date thereafter to be designated by the governor.

[2:49:44 PM](#)

SENATOR BEGICH asked what would happen to the bifurcation of DHSS if the legislature chose not to appropriate funds for the new positions, including a commissioner or deputy commissioner position.

COMMISSIONER CRUM replied that he did not know and would have to defer to a lawyer.

[2:50:21 PM](#)

CHAIR WILSON opined that the positions would be created when the legislature authorizes a power appropriation. There would be three allocations through the appropriation, and the department can move within those allocations to technically fund the positions unless a statute says otherwise.

[2:50:44 PM](#)

SENATOR BEGICH asked if that could be vetoed or ignored as a letter of intent.

CHAIR WILSON replied that intent is like a gentleman's handshake.

[2:51:09 PM](#)

SENATOR REINBOLD opined that the changes in EO 121 are not technical and expand government. She stated her belief that the bifurcation of DHSS is a substantial undertaking and should be done under the authority of the Legislative Branch. She desires to preserve the duties and authority of the legislature.

[2:52:40 PM](#)

At ease.

[2:53:03 PM](#)

CHAIR WILSON reconvened the meeting.

[2:53:11 PM](#)

SENATOR BEGICH recalled the merging of Community and Regional Affairs and Commerce and Economic Development several years ago. He asked if the merging was done by legislation or executive order.

MS. KRALY replied that she did not know but would get back to the committee.

[2:53:41 PM](#)

CHAIR WILSON opened public testimony.

[2:54:06 PM](#)

BRENDA SHELDEN, Alaska Pioneer Homes Advisory Board, Wasilla, Alaska, stated that the Department of Family and Community Services (DFCS) would be better able to focus on the Alaska pioneer homes' residents and facilities. Splitting DHSS would increase communication and allow for the specific needs of 24/7 patient care facilities to be addressed. Divisions within (DFCS) would also have budgets, making it possible to champion needs without competing against the breadth of divisions found in DHSS.

[2:56:45 PM](#)

At ease.

[2:57:20 PM](#)

CHAIR WILSON reconvened the meeting and closed public testimony on EO 121.

[2:57:32 PM](#)

SENATOR BEGICH asked if there was any opposition from the mental health trust authority user groups, such as the mental health or alcohol boards, or any of the associated committees.

COMMISSIONER CRUM replied no.

[2:58:01 PM](#)

SENATOR BEGICH asked that explicit letters of support from the various committees and commissions associated with DHSS be submitted to the committee.

2:58:08 PM

COMMISSIONER CRUM replied that he does not have letters at this time.

SENATOR BEGICH asked if there were letters of support from outside organizations besides the Medical Association.

COMMISSIONER CRUM replied that an outside organization is working on a write-up. Alaska Native Health Board and Alaska Native Health Consortium have expressed that they will remain neutral.

2:59:19 PM

SENATOR BEGICH asked whether employee labor organizations support the reorganization.

COMMISSIONER CRUM stated that employee organizations have not disposed of or supported the reorganization. All organizations and staff are being apprised of the changes, and townhalls have been held to hear concerns and keep the public informed.

2:59:41 PM

SENATOR REINBOLD asked if there was any opposition to EO 121.

COMMISSIONER CRUM stated that groups that previously opposed EO 121 are now neutral.

3:00:18 PM

SENATOR REINBOLD asked for clarification that no group opposes EO 121.

COMMISSIONER CRUM replied that no group opposes EO 121.

3:01:31 PM

There being no further business to come before the committee, Senator Wilson adjourned the Senate Health and Social Services Standing Committee meeting at 3:01 p.m.